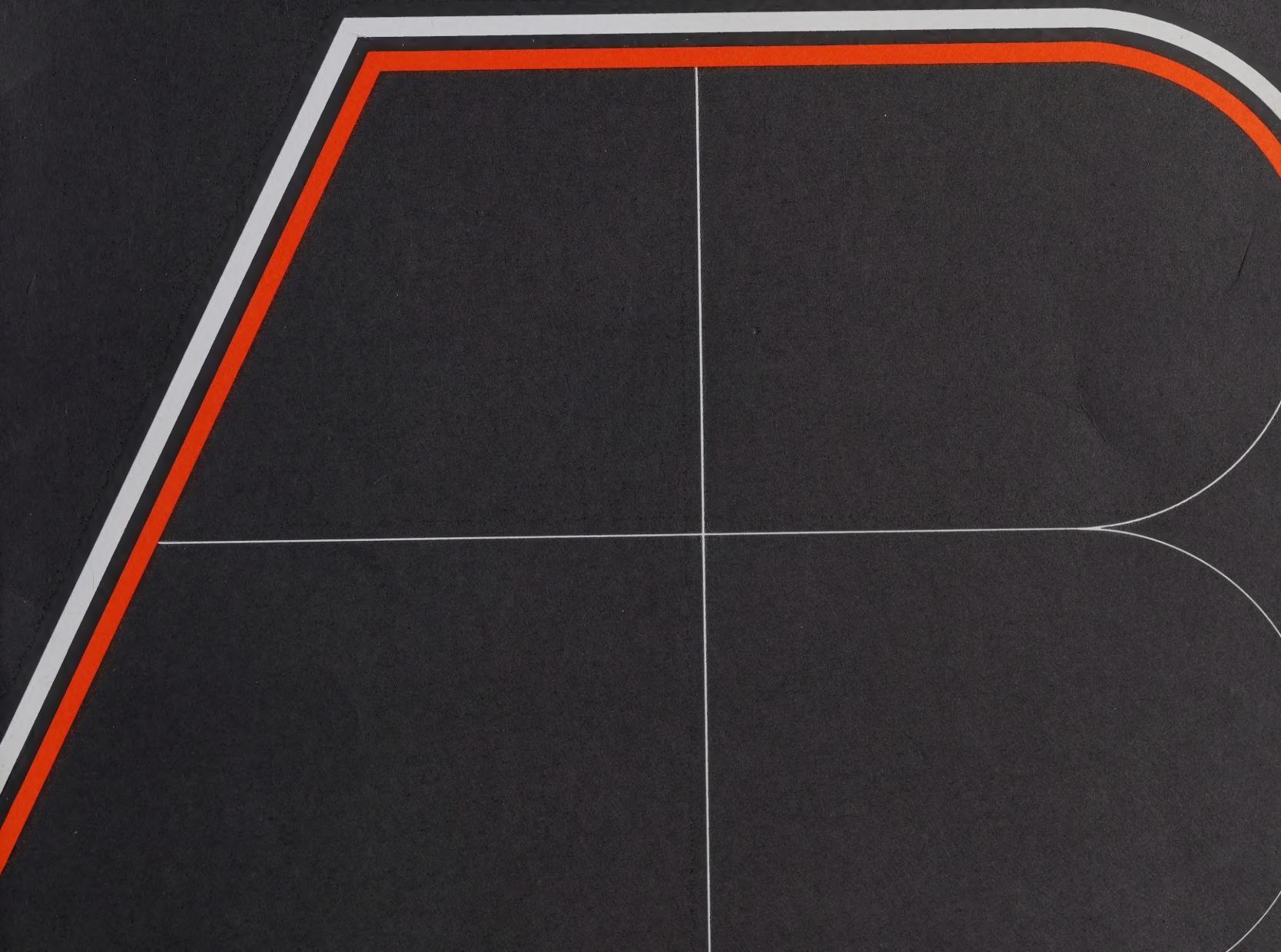


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**ABEL-BLACK
CORPORATION
LIMITED**

ANNUAL REPORT 1971



BLACK'S



ABEL-BLACK CORPORATION LIMITED

Annual Report 1971

DIRECTORS

WILLIAM E. BLACK
Chairman and Executive Vice President

CHARLES ABEL
Director and President

ROBERT F. BLACK
Director and Vice President Retail Sales

WILLIAM J. HUNTLEY
Director and Treasurer

CLARKE ABEL
Director and Secretary

JAMES INGLIS
Director

DONALD E. BOXER
Director

HEAD OFFICE

10 Dyas Road, Don Mills, Ontario

AUDITORS

McDonald, Currie & Co.,
120 Adelaide Street West, Toronto, Ont.

SOLICITORS

Miller, Thomson, Hicks, Sedgewick,
Lewis & Healy, Toronto

BANKERS

The Toronto-Dominion Bank, King & Yonge Streets, Toronto

Canadian Imperial Bank of Commerce,
Parkwoods Village Branch, Don Mills

Canadian Imperial Bank of Commerce,
Bay and Harbour Branch, Toronto

TRANSFER AGENT

Canada Permanent Trust Company

STOCK LISTING

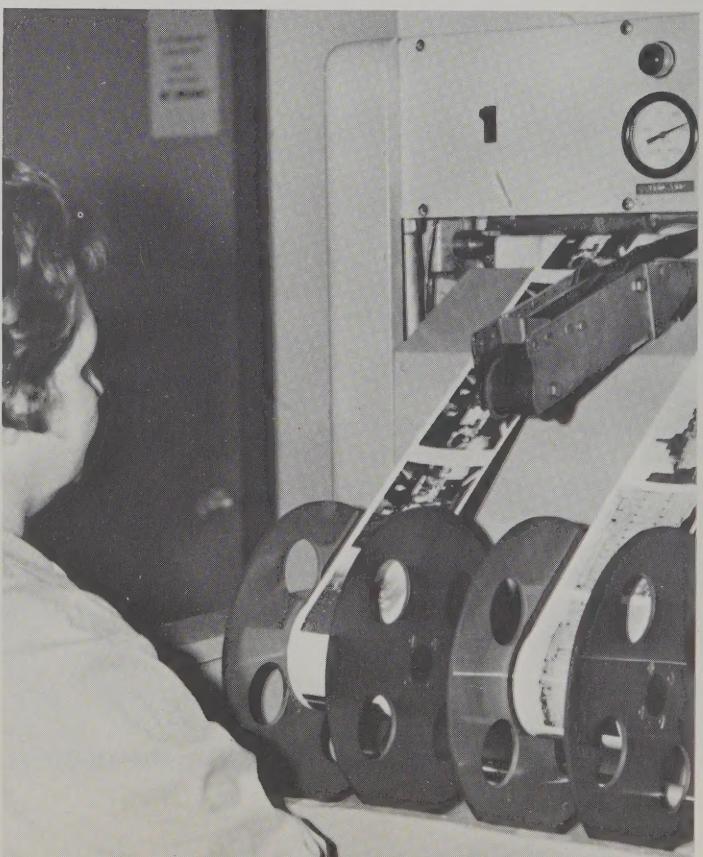
The Toronto Stock Exchange

UNDERWRITER

Burns Bros. & Denton Limited, Toronto-Dominion Centre, Toronto

FINANCIAL HIGHLIGHTS

	1971	1970
Sales	\$13,083,160	\$12,048,519
Net Earnings	381,877	551,475
Working Capital	1,981,372	1,811,397
Total Assets	5,752,359	5,020,727
Shareholders' Equity	4,275,997	3,890,070
Earnings per Share	22¢	31¢
Shares Outstanding	1,759,000	1,759,000



TO OUR SHAREHOLDERS

The combined results of our company for the year under review are less than satisfactory with sales of \$13,083,160; net earnings of \$381,877; and earnings per share of 22¢. An historical financial review is on page 5.

During the year we increased our retail outlets by four. Three of these were opened last summer—one in downtown Windsor; another in the first enclosed mall built in Windsor; and the other in a prime location in downtown Ottawa. Our fourth new location was opened near the end of February in a major regional shopping centre, Sherway Gardens Mall, in Etobicoke, a west Toronto suburb.

Even though this past year was particularly trying in the retail merchandising segment of our economy, we did achieve a modest increase in sales apart from the additional volume attributable to the added locations.

Our Audio Visual Division was thwarted in its attempt to increase sales by 25%; however, an increase of 11% was attained in spite of the political uncertainties insofar as educational costs were concerned. Negotiations were completed recently whereby the exclusive distribution rights in Southern Ontario for Panasonic video tape recorders and closed circuit television have been granted to Eddie Black's Limited. There is no doubt that great benefits will be reaped as the future of this particular application of electronics unfolds.

As announced in February, the acquisition of Educational Film Distributors Limited was completed. This wholly-

owned subsidiary was incorporated in 1958 and is engaged in the sale and distribution of foreign and domestic educational movie films, filmstrips, slides, and picture story "Study Prints" on a national basis across Canada. This company represents twenty-six film producers and offers over 650 different 16mm sound films. Most of its film contracts include the right to rent to television on a percentage basis. Also offered are over 1,300 filmstrip subjects, plus 2 x 2 slides for arts and science instruction. E.F.D. has a history of good results and we expect a growing contribution to profits in the ensuing years from this new division.

During December of this past fiscal year, installation of an I.B.M. computer was completed at our Head Office. At this time we have almost half our data processing programs completed and in operation. It is not expected that magical results will be derived, but we are confident that we will be better able to take our place in the race against time through technology.

The photofinishing business of the Abel Companies is a matter of grave concern, especially the school picture segment of that business which had losses in both the 1970 and 1971 fiscal years. This situation led the Directors to propose the Arrangement which is to come before the shareholders for approval at the forthcoming meeting.

William E. Black
Chairman of the Board

ABEL-BLACK CORPORATION LIMITED

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET as at March 31, 1971

ASSETS	1971	1970
	\$	\$
CURRENT ASSETS		
Cash	679,217	311,532
Marketable securities – at cost, (market value – \$41,725)	36,562	—
Accounts receivable (note 2)		
Trade	774,623	785,194
Other	83,983	39,654
Inventories – at the lower of cost or net realizable value	1,484,650	1,634,676
Prepaid expenses	39,030	50,612
	<hr/> 3,098,065	<hr/> 2,821,668
ADVANCES TO CANADIAN SCHOOL PUBLISHERS LIMITED (notes 3 and 7)	250,000	250,000
FIXED ASSETS (note 4)	1,399,990	1,268,051
OTHER ASSETS		
Excess of cost of investment in partnership and subsidiaries over book value of net assets at dates of acquisition	954,300	614,554
Picture bookings – at cost, less amounts written off	50,004	66,454
	<hr/> 1,004,304	<hr/> 681,008
SIGNED ON BEHALF OF THE BOARD		
William E. Black, Director		
Charles Abel, Director		
	<hr/> 5,752,359	<hr/> 5,020,727

LIABILITIES

	1971 \$	1970 \$
CURRENT LIABILITIES		
Bank loan and overdraft (note 2)	276,734	27,000
Accounts payable and accrued liabilities	686,164	647,415
Income taxes payable	58,077	292,453
Current portion of long-term debt (note 5)	95,718	43,403
	<hr/> 1,116,693	<hr/> 1,010,271
LONG-TERM DEBT (note 5)	359,669	120,386
	<hr/> 1,476,362	<hr/> 1,130,657

SHAREHOLDERS' EQUITY

CAPITAL STOCK (notes 6 and 7)

Authorized –

3,000,000 shares without par value

Issued –

1,759,000 shares 1,668,937 1,668,937

Unpaid subscription (note 8) 36,450 40,500

1,632,487 1,628,437

RETAINED EARNINGS

2,643,510 2,261,633

4,275,997 3,890,070

5,752,359 5,020,727

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended March 31, 1971

	1971	1970
	\$	\$
NET SALES	<u>13,083,160</u>	<u>12,048,519</u>
OPERATING COSTS AND OTHER EXPENSES	<u>11,831,010</u>	<u>10,643,504</u>
DEPRECIATION AND AMORTIZATION	<u>279,627</u>	<u>235,710</u>
INTEREST ON LONG TERM DEBT	<u>9,946</u>	<u>12,830</u>
	<u>12,120,583</u>	<u>10,892,044</u>
	<u>962,577</u>	<u>1,156,475</u>
PROVISION FOR INCOME TAXES (note 9)	<u>580,700</u>	<u>605,000</u>
NET EARNINGS FOR THE YEAR	<u>381,877</u>	<u>551,475</u>
RETAINED EARNINGS – BEGINNING OF YEAR	<u>2,261,633</u>	<u>1,766,043</u>
Expense of share issue, less reduction in income taxes applicable thereto	<u>—</u>	<u>55,885</u>
RETAINED EARNINGS – END OF YEAR	<u>2,643,510</u>	<u>2,261,633</u>
NET EARNINGS PER SHARE (note 10)	<u>22 cents</u>	<u>31 cents</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

for the year ended March 31, 1971

	1971 \$	1970 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	381,877	551,475
Items not affecting working capital –		
Depreciation and amortization	279,627	235,710
Provided from operations	661,504	787,185
Payment of share subscription receivable (note 8)	4,050	—
Issue of share capital	—	1,627,507
Proceeds on sale of real estate	—	27,500
Reduction of long-term portion of mortgage receivable	—	8,862
Increase in long-term debt (note 5)	268,000	—
Working capital of subsidiary acquired	291,643	—
	1,225,197	2,451,054
USE OF WORKING CAPITAL		
Expense of share issue (net of income taxes)	—	55,885
Additions to fixed assets (net)	382,087	566,248
Advances to Canadian School Publishers Limited	—	39,931
Additions to picture bookings	—	29,342
Reduction of long-term debt (note 5)	28,717	9,281
Acquisition of subsidiary company	644,418	—
	1,055,222	700,687
INCREASE IN WORKING CAPITAL	169,975	1,750,367
WORKING CAPITAL – BEGINNING OF YEAR	1,811,397	61,030
WORKING CAPITAL – END OF YEAR	1,981,372	1,811,397

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 1971

1. Principles of Consolidation

The accompanying financial statements include the accounts of all the subsidiaries of the company.

Abel-Black Corporation Limited was incorporated under the laws of Ontario on July 4, 1969. Pursuant to agreements dated July 24, 1969, the company acquired all the issued and outstanding

shares of Eddie Black's Limited and the Abel Companies, comprising Charles Abel Limited, Clarke Abel Limited and Dominion School Life Photography Limited in exchange for the issue of 1,399,993 shares of the company. This transaction was accounted for as a "pooling of interests".

2. Accounts Receivable

Book debts of certain subsidiaries have been pledged as security for the bank loan.

3. Advances to Canadian School Publishers Limited

Under an agreement dated July 24, 1969 between the company, Charles Abel, Clarke Abel and Canadian School Publishers Limited, Charles Abel and Clarke Abel granted to the company the option to purchase all the issued and outstanding shares of Canadian School Publishers Limited at the price of \$100,000 exercisable at any time prior to July 1, 1972.

Under the agreement the company agreed to make advances without interest to Canadian School Publishers Limited from time to time during the term of the option, the total amount of

such advances outstanding at any one time not to exceed \$250,000. The company has made such advances and the amount thereof now outstanding is \$250,000. Under the agreement Charles Abel and Clarke Abel have guaranteed repayment of all such advances.

As a collateral effect of the proposed arrangement (referred to in note 7) Charles Abel and Clarke Abel have undertaken to repay the advances in full and the company's option to acquire the shares of Canadian School Publishers Limited will be surrendered.

4. Fixed Assets

Fixed assets and related accumulated depreciation are classified as follows:

		1971		1970
		Cost	Accumulated depreciation	Net
		\$	\$	\$
Land		40,000	—	40,000
Buildings		415,051	61,870	353,181
Furniture, fixtures, machinery and equipment	1,955,470		1,086,594	868,876
Motor vehicles	97,378		47,625	49,753
Leasehold improvements	246,772		158,592	88,180
		2,754,671	1,354,681	1,399,990
				1,268,051

Depreciation has been recorded at the maximum rates allowable for income tax purposes, except for the plant equipment of Eddie Black's Limited, on which depreciation is recorded at 12½% of original cost per annum.

5. Long-Term Debt

(a) Long-term debt is classified as follows:

	1971	1970
7½% mortgage loan, due March 1987	\$ 89,809	\$ 92,644
7% conditional sales contracts payable	30,578	71,145
Amount owing on purchase of subsidiary (note 5(b))	335,000	—
	455,387	163,789
Less: Current portion	95,718	43,403
	359,669	120,386

(b) The company purchased all the shares of Educational Film Distributors Limited as of December 31, 1970 for a price of \$639,672, payable without interest as follows:

- (i) \$304,672 cash on closing.
- (ii) Amounts of \$67,000 on December 31, 1971 and 1972 and \$33,500 on December 31, 1973.

- (iii) The balance of \$167,500 is subject to abatement if operating results are not maintained and is payable in installments which are dependent on the operating results in the five years ending December 31, 1975.

6. Capital Stock

The issued capital stock of the company includes 1,399,993 shares which were issued on July 24, 1969 for all the shares of the company's subsidiaries, Charles Abel Limited, Clarke Abel Limited and Eddie Black's Limited, for a consideration which the directors determined to be the fair equivalent of \$7,000,000. Because the acquisition of the subsidiaries has been accounted for on a "pooling of interests" basis, the issue of these shares was reflected at an amount of \$930,

which is equal to the aggregate amount of the issued capital stock of the subsidiaries at date of acquisition.

Under an agreement dated July 24, 1969 no less than 1,330,000 issued and fully paid shares of the company are deposited with a Trustee for a period ending July 24, 1976. Under the proposed arrangement (referred to in note 7) such agreement will be terminated.

7. Events Subsequent to the Year End

(a) Subsequent to March 31, 1971 the company proposed an arrangement under Section 193 of The Business Corporations Act, 1970 whereby:

- (i) The authorized capital of the company will be reduced by 700,000 shares to 2,300,000 shares without par value.
- (ii) The shares of the Abel Companies will be returned to Charles and Clarke Abel and 700,000 shares of Abel-Black Corporation Limited owned by them will be cancelled.
- (iii) The issued capital will be decreased by \$359,500 by repaying \$1 per share to all holders of shares except the Abel Group and the Black Group.

As collateral effects of the proposed arrangement:

- (iv) The name of the company will be changed to Black Photo Corporation Limited.
- (v) Black Photo Corporation Limited will pay estimated expenses of \$25,000 in connection with the arrangement.
- (vi) Advances to Canadian School Publishers Limited of \$250,000 will be repaid upon the arrangement becoming effective and binding.

- (b) Chas. Abel Photo Service repaid \$200,000 of its advances from the company, \$100,000 of which was paid in April 1971 and \$100,000 of which was paid in May 1971.

8. Stock Options

On July 24, 1969 the company granted options to purchase an aggregate of 54,000 shares. During the 1970 fiscal period 9,000 shares were issued upon exercise of stock options for a total consideration of \$40,500, payable in ten annual instalments of \$4,050 each, commencing August

29, 1970. Of the \$40,500 an amount of \$36,450 remained unpaid as at March 31, 1971.

The following stock options are outstanding as at March 31, 1971:

Expiry date	Officers	Key employees	Option price
July 31, 1974	25,000	—	\$ 5.00
July 31, 1974	—	12,000	\$ 5.50

9. Provision for Income Taxes

A subsidiary, Dominion School Life Photography Limited, incurred losses in the 1970 and 1971 fiscal years which are available for application

against its taxable income in future years. Such losses were not available for application to the taxable incomes of the affiliated companies.

10. Principles of Earnings per Share

Earnings per share has been calculated using the shares outstanding at March 31, 1971. The effect on earnings per share arising from exercise of stock options would not be material.

11. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers as defined by The Business Corporations Act, 1970 amounted to \$273,200 (1970—\$272,406) for the year ended March 31, 1971.

12. Lease Commitments

The total amount of rentals paid during the year ended March 31, 1971 under leases for retail stores and plant (including additional rent payable as a percentage of sales) was \$247,433.

The minimum total rentals under existing leases for retail stores and plant (excluding occupancy

charges and additional rent paid as a percentage of sales) will be as follows:

1972–1976	\$1,037,971
1977–1981	516,569
after 1981	30,688

AUDITORS' REPORT**To the Shareholders of Abel-Black Corporation Limited**

We have examined the consolidated balance sheet of Abel-Black Corporation Limited and subsidiary companies as at March 31, 1971 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and

other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
May 21, 1971

McDonald, Currie & Co.
Chartered Accountants

